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BOSTON REDEVELOPMENT AUTHORITY

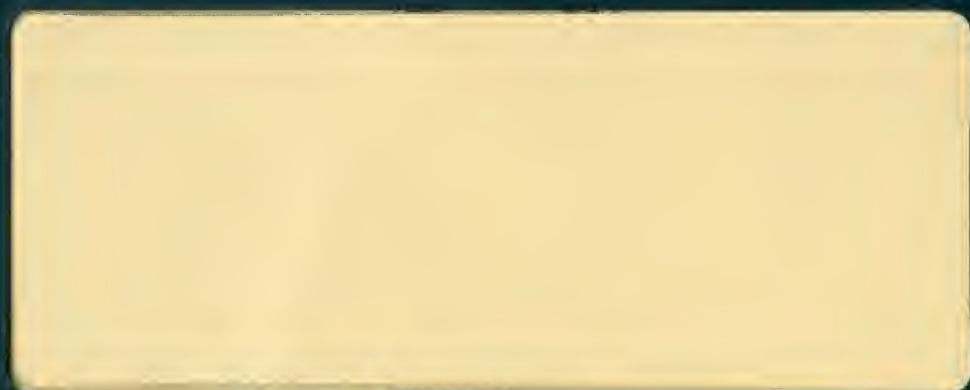
Schedule of Federal Financial Assistance
and
Auditors' Report

11-27

For the Year Ended September 30, 1991

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Daniel Dennis & Company



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BOSTON REDEVELOPMENT AUTHORITY

Schedule of Federal Financial Assistance
and
Auditors' Report

For the Year Ended September 30, 1991





Boston Redevelopment Authority
Boston, Massachusetts

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Daniel Dennis & Company

Certified Public Accountants

Board of Directors
Boston Redevelopment Authority

Independent Auditors' Report

We have audited the Schedule of Federal Financial Assistance of the Boston Redevelopment Authority for the year ended September 30, 1991. This schedule is the responsibility of the Authority's management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Federal Financial Assistance is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying schedule was prepared for the purpose of complying with the Single Audit Act of 1984 and is not intended to be a complete presentation of the Boston Redevelopment Authority's accrued revenue balances, cash receipts, and expenditures accrued.

In our opinion, the schedule referred to above presents fairly, in all material respects, the accrued revenue balances of each of the various federal grant programs of the Boston Redevelopment Authority as of September 30, 1991, and the cash receipts and expenditures recognized for the year then ended, in conformity with generally accepted accounting principles.

Daniel Dennis + Company

January 14, 1992

Boston Redevelopment Authority
Schedule of Federal Financial Assistance
For the Year Ended September 30, 1991

<i>Federal Grantor/Projects</i>	<i>CFDA Number</i>	<i>Accrued Revenue Oct. 1, 1990</i>	<i>Adjustments</i>	<i>Cash Receipts</i>	<i>Expenditures</i>	<i>Accrued Revenue September 30, 1991</i>
Department of Housing and Urban Development (Passed through the City of Boston):						
Community Planning and Development:						
Housing Development Action Grant (Note 3):						
Douglas Plaza	14.174	\$ -	\$ -	\$ 85,769	\$ 85,769	\$ -
Community Development Block Grants/Entitlement Grants:						
Urgent Needs Super	14.218	134,872	-	134,872	-	-
Urban Development Action Grants (Major) (Notes 2 & 5):						
Harbor Point Apartments	14.221	1,400,000	-	1,400,000	-	-
Bayside Exposition Center (Note 6)		52	-	26,199	26,147	-
Winslow Court		-	-	30,000	30,000	-
Navy Yard Retail		-	-	711,000	711,000	-
Subtotal		1,400,052	-	2,167,199	767,147	-
Total		\$1,534,924	\$ -	\$2,387,840	\$ 852,916	\$ -
National Foundation on the Arts and the Humanities:						
National Endowment for the Arts:						
Office of Arts & Humanities (Note 4)	45.023	\$ 12,000	\$16,039	\$ 28,039	\$ -	\$ -
Grand total		\$1,546,924	\$16,039	\$2,415,879	\$ 852,916	\$ -

See accompanying notes to financial statements.

Boston Redevelopment Authority
Notes to Schedule of Federal Financial Assistance
For the Year Ended September 30, 1991

1. *Summary of Significant Accounting Policies*

The accompanying schedule includes the accounts of the Boston Redevelopment Authority federal grant programs and has been prepared on the accrual basis of accounting, whereby expenditures are recognized when incurred. Accrued revenue represents program costs incurred which have not yet been reimbursed by the grantor agency.

2. *Urban Development Action Grants (CFDA No. 14.221)*

The Boston Redevelopment Authority (The Authority) is the administrator of certain Urban Development Action Grant (UDAG) loans (listed below) issued by the City of Boston to local developers from grant funds received from the Department of Housing and Urban Development (HUD). The Authority receives the repayment of principal and interest from these developers on a monthly basis and remits the funds to the City of Boston. The loan amount, recipient and payment terms are as follows:

1. Harbor Point Apartments Co. Limited Partnership

The loan repayment commences January 1, 1994 with monthly installments in arrears based on a 40 year amortization schedule. The applicable interest rates are 0% for loan years 1-3, 5% for loan years 4-9, and 8% for the remaining term of the loan. Lump sum contingent interest payments are due at the end of each operational year equal to 10% of net annual cash flow of the project. Repayments will be made only after making cash distributions permitted by the Massachusetts Housing Finance Authority. If repayments are not made, they are considered due as part of a balloon payment of all outstanding principal and accrued interest on April 30, 2020.

2. Building 103 Associates (Anchorage Apartments)

The 30 year loan term commenced on April 15, 1986 and the outstanding principal is due in a balloon payment on April 15, 2016. The applicable interest rates for the loan term are 0% for years 1-5 and 5% compounded semiannually for years 6-30. Contingent interest will accrue if the project accepts a Section 8 (National Housing Act of 1937) or State 707 (Massachusetts Acts of 1966) certificate holder or any individual receiving a similar form of rental assistance as a tenant in the amount of the difference between rental payments received by the project with regard to the certificate holder and the aggregate payments made by the holder of the certificate. Accrued contingent interest at September 30, 1991 is approximately \$633,968. All interest and contingent interest is deferred and considered due on the maturity of the note.

Boston Redevelopment Authority
Notes to Schedule of Federal Financial Assistance - *Continued*
For the Year Ended September 30, 1991

2. Urban Development Action Grants (CFDA No. 14.221) - Continued

3. Chinese Economic Development Council, Inc. (the Council) and the Boylston Development Group Limited Partnership (Boylston Building)

The loan principal repayment commences May 1, 1989. The outstanding principal balance accrued interest for the period of November 13, 1984 through January 1, 1988 at a simple interest rate of 5%. The accrued interest was added to the outstanding principal balance at that time. As of January 1, 1988, interest began to accrue on the new balance at 5% simple interest per year, payable monthly in arrears beginning January 31, 1988. When the principal repayment commences it shall be paid in annual installments equal to the annual net cash flow as defined in the loan agreement not to exceed \$184,000. The outstanding principal and interest is due in a balloon payment in March, 1995.

As of September 30, 1991, the Council and the Partnership were in default of the agreement owing \$123,186 for interest payments in arrears through January 1, 1988, and an undeterminable amount of principal and interest payments from that date forward. On May 1, 1989, annual installments were scheduled to begin, based on annual net cash flow as defined in the agreement, however, no payments have been received. The Authority is currently working with the Council and the Partnership to restructure the note.

4. Westland Avenue Associates

The loan is interest free and the entire principal balance is due in a balloon payment on the forty year anniversary of the initial advance of funds to the borrower (2021).

5. North End Community Health Committee, Inc.

A 12.85% interest bearing loan with monthly interest payments of \$4,164, principal due in a balloon payment in October, 2021.

6. Teradyne

The loan has a 3% annual interest rate payable semiannually. In the first four years of the loan term, interest totaling \$540,000 was deferred and added to the principal balance. The annual interest payment for years 5-30 on the new principal balance is \$151,200. This balance is due on April 1, 2013 in a balloon payment of \$5,040,000.

Boston Redevelopment Authority
Notes to Schedule of Federal Financial Assistance - *Continued*
For the Year Ended September 30, 1991

2. Urban Development Action Grants (CFDA No. 14.221) - Continued

7. Winslow Court

The UDAG grant allows for a maximum of twenty-four second mortgage loans of \$15,000 each to MHFA qualified purchasers of condominium units on the project site. Each mortgage has a ten-year term commencing upon the execution of closing documents. The mortgages are interest free, and will be forgiven at maturity if the condominium unit purchased has not been refinanced, sold, transferred, rented or otherwise disposed of during the term of the loan. In the event that purchaser rents the condominium unit, the principal amount of the UDAG loan shall become immediately due and payable. On September 30, 1991 there were thirteen \$15,000 second mortgage loans outstanding.

Loan balances for the years ended September 30, 1991 and 1990, and interest payments received by the Authority for the year ended September 30, 1991 were as follows:

<i>Borrower</i>	<i>Principal Balance @ 9/30/90</i>	<i>Principal Balance @ 9/30/91</i>	<i>Interest Payments</i>
Harbor Point Apartments Co. Limited Partnership	\$12,000,000	\$12,000,000	\$ -
Building 103 Associates	1,649,650	1,649,650	-
Chinese Economic Development Council, Inc. & Boylston Development Group Limited Partnership	1,231,859	1,231,859	-
Westland Avenue Associates	325,000	325,000	-
North End Community Health Committee, Inc.	385,770	385,770	49,970
Teradyne	5,040,000	5,040,000	151,200
Winslow Court	<u>165,000</u>	<u>195,000</u>	<u>-</u>
Total	<u>\$20,797,279</u>	<u>\$20,827,279</u>	<u>\$201,170</u>

Boston Redevelopment Authority
Notes to Schedule of Federal Financial Assistance - *Continued*
For the Year Ended September 30, 1991

2. *Urban Development Action Grants (CFDA No. 14.221) - Continued*

The Authority has remitted \$201,432 of UDAG loan interest payments received and bank account interest to the City of Boston during the year ended September 30, 1991. Loan interest totaling \$12,492 collected by the Authority and bank account interest totaling \$1,899 is payable to the City of Boston as of September 30, 1991.

The Bayside Exposition Center and Navy Yard Retail grant agreements stipulate that these grant funds be used for City of Boston roadway and park improvements, respectively. These grants are not included in the UDAG loan program noted above.

3. *Housing Development Action Grant (CFDA No. 14.174)*

The Authority is the administrator of a Housing Development Action Grant (HDAG) loan issued by the City of Boston to local developers from grant funds received from the Department of Housing and Urban Development (HUD), similar to the UDAG loan noted above. The loan amount, recipient and payment terms are as follows:

1. Douglas Plaza Housing Company I Limited Partnership

The loan term commenced on June 5, 1989 and the principal balance of the loan is due in lump sum at the end of the term. The term of the loan will run from the commencement date until the 20th anniversary of the achievement of a 50% occupancy rate of the project, as long as the recipient has maintained the required distribution of low income housing in the project and the Massachusetts Housing Finance Agency (MHFA) 1st mortgage remains outstanding. Otherwise, the term will extend to the date that either of those two conditions change. The applicable annual interest rate is 0% for years 1-4 starting on August 31, 1989, 1% for years 5-15, and 2% for the period starting with year 16 until the end of the loan term as described above. No principal repayments or interest payments have been made on the above loan at September 30, 1991. The outstanding balance of this loan at September 30, 1991 is \$3,430,750.

4. *Adjustments*

The Authority has transferred to its general operating fund expenditures made under federal grant agreements that had either expired for time or that were cancelled due to conflicts with other neighborhood planning initiatives. Furthermore, the Authority has transferred from its general fund expenditures made under federal grant agreements, previously written off as uncollectible, as a result of subsequent collection from the grantor agency. These are shown as adjustments to accrued revenue on the Schedule of Federal Financial Assistance.

Boston Redevelopment Authority
Notes to Schedule of Federal Financial Assistance - *Continued*
For the Year Ended September 30, 1991

5. *Other Program Income*

Westland Avenue

During the year ended September 30, 1991, the Authority received from their custodial account and remitted directly to Westland Avenue Associates interest income totaling \$139,070. This income is earned from securities purchased with a portion of the Western Avenue Associates UDAG totaling \$1,775,000 and held by the Authority for the use of rent moderation and debt service by the Westland Avenue Associates project. The securities are to be remitted to the City of Boston upon repayment of the UDAG loan of \$325,000 by the Developer.

Navy Yard Retail

In compliance with the UDAG agreement, Incubator Associates is required to pay \$58,800 a year, for a period of thirty years commencing December 27, 1985, to the Authority as parking rent. Parking rent received is to be held in escrow by the Authority and periodically remitted to the City of Boston to fund activities eligible under Title I of the Housing and Community Development Act of 1974. During the year ended September 30, 1991, the Authority remitted \$58,800 in parking rent receipts to the City of Boston. At September 30, 1991, \$14,700 is payable to the City of Boston.

6. *Contingency*

The Bayside Exposition Center UDAG grant agreement stipulates the project be completed as of September 30, 1988. The entire project was completed in May 1991. Prior to completion, the Authority submitted an amendment request for a change in the use of Phase II UDAG funds and a time extension for Phase II which is currently under review at HUD. As noted in HUD's monitoring report issued June, 1989, the \$215,000 allotted for Phase II will be subject to recapture by HUD in the event the request for an amendment to the UDAG grant agreement is not approved by HUD. The Boston Redevelopment Authority through the City of Boston has drawn down from HUD \$1,392,737 of UDAG funds since September 30, 1988.

REPORT ON INTERNAL CONTROLS

Daniel Dennis & Company

Certified Public Accountants

Board of Directors Boston Redevelopment Authority

We have audited the Schedule of Federal Financial Assistance of the Boston Redevelopment Authority (the Authority) for the year ended September 30, 1991, and have issued our report thereon dated January 14, 1992. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, the Single Audit Act of 1984, and the provisions of Office of Management and Budget (OMB) Circular A-128, *Audits of State and Local Governments*. For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories:

Accounting Controls

- Accounts Receivable/Accrued Revenue
- Cash Receipts
- Cash Disbursements
- Accounts Payable
- Payroll

Administrative Controls

- Political Activity
- Davis-Bacon Act
- Civil Rights
- Federal Financial Reports
- Drug Free Workplace
- Allowable Costs/Cost Principles
- Administrative Requirements

Specific Requirements

- Types of Services
- Eligibility
- Reporting
- Special Requirements

The management of the Authority is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to federal financial assistance programs, resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data is obtained, maintained, and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed above. During the year ended September 30, 1991, the Authority expended 90% of its total federal financial assistance under a major federal financial assistance program. With respect to internal control systems used in administering major federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used solely in administering nonmajor federal financial assistance programs of the Authority, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation of the internal control systems used solely in administering nonmajor federal financial assistance programs of the Authority did not extend beyond this preliminary review phase.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of the Authority. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of the Authority. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance program of the Authority.

Also, our audit, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems used solely in administering nonmajor federal financial assistance programs. However, our study and evaluation and our audit disclosed the following condition that we do not believe to be a material weakness in relation to the federal financial assistance program of the Authority, but requires corrective action.

HDAG and UDAG Semi-Annual Progress Reports

Our examination of the HDAG and UDAG semi-annual progress reports (CFDA No. 14.174 and 14.221) and review of the related internal administrative controls over preparation and filing disclosed that procedures did not appear to exist to ensure that the reports were accurate. Two of the five reports tested contained clerical errors.

We recommend that the Authority institute procedures to ensure that reports required under the HDAG and UDAG agreements are accurate.

This report is intended solely for use of management and federal financial assistance funding sources and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the authority, is a matter of public record.

Daniel Dennis + Company

January 14, 1992

REPORTS ON COMPLIANCE

Daniel Dennis & Company

Certified Public Accountants

Board of Directors
Boston Redevelopment Authority

We have audited the Boston Redevelopment Authority (the Authority)'s compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking, reporting; and special tests and provisions that are applicable to its major federal financial assistance program, which is identified in the accompanying schedule of federal financial assistance, for the year ended September 30, 1991. The management of the Boston Redevelopment Authority is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures did not disclose any immaterial instances of noncompliance with the requirements referred to above.

In our opinion, the Authority complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major federal financial assistance program for the year ended September 30, 1991.

Daniel Dennis & Company

January 14, 1992

Daniel Dennis & Company

Certified Public Accountants

Board of Directors
Boston Redevelopment Authority

We have applied procedures to test the Boston Redevelopment Authority (the Authority)'s compliance with the following requirements applicable to its major federal financial assistance program, which is identified in the schedule of federal financial assistance, for the year ended September 30, 1991: political activity, Davis-Bacon Act, civil rights, federal financial reports, drug-free workplace, allowable costs/cost principles and administrative requirements.

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's *Compliance Supplement for Single Audits of State and Local Governments*. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Authority's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the first paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Authority had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed an immaterial instance of noncompliance with those requirements described below.

Our examination of the HDAG and UDAG semi-annual progress reports (CFDA No. 14.174 and 14.221) and review of the related internal administrative controls over preparation and filing disclosed that procedures did not appear to exist to ensure that the reports were accurate. Two of the five reports tested contained clerical errors.

We recommend that the Authority institute procedures to ensure that reports required under the HDAG and UDAG agreements are accurate.

This report is intended solely for use of management and federal financial assistance funding sources and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Authority, is a matter of public record.

Daniel Dennis & Company

January 14, 1992

Boston Redevelopment Authority
Status of Prior Year Findings
September 30, 1991

There are no uncorrected significant or material findings from prior years' single audits that effect the current audit, except for weaknesses noted in the preparation of HDAG and UDAG Semi-Annual Progress reports as indicated in our Reports on Internal Controls and Compliance.

AUDITEE'S RESPONSE

BOSTON
REDEVELOPMENT
AUTHORITY

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Mayor

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UDAG Semi-Annual Progress Reports

Procedures have been implemented to ensure that HDAG and UDAG semi-annual progress reports are accurate.

